

Tax Footprints of Arnarlax consolidation 2019

11th May 2020



ARNARLAX





Table of Contents

01 Tax footprints

02 About Arnarlax

03 Summary

04 Income tax

05 Salary-related taxes

06 Pension payments

07 Fees to environmental
fund

08 Other taxes and fees

01 Tax Footprints

What are tax footprints?

Tax footprints are a summary for Icelandic companies to show in a simple way the tax payments and fees the company pays to the community.

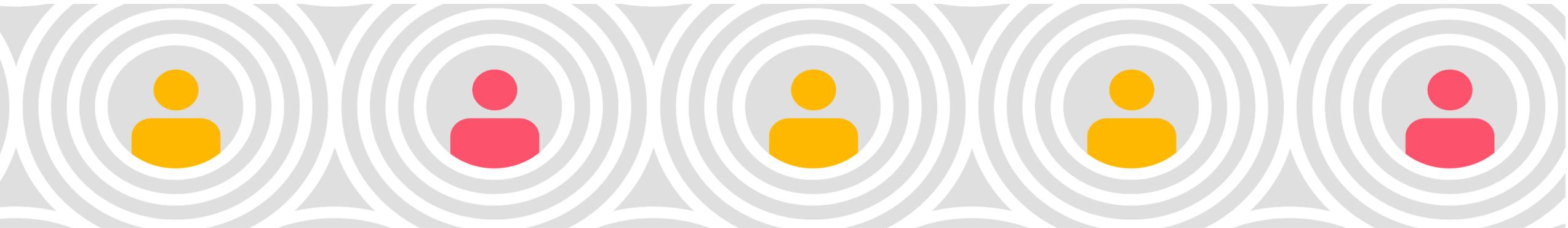
This is a short summary that provides information regarding what taxes and fees the company is paying. That way it is possible to present information regarding taxes and other communal contributions in a simple way. Furthermore other information is presented that is considered to increase the understanding of the value the company creates with its operation.

Discussion regarding tax payments of companies in the media can involve the risk of things being taken out of context or great emphasis placed on a single fee or tax. Tax footprints provide a complete picture of all the tax and fees that flow to public authorities in one summary.

A report regarding tax footprints can provide a good overview of taxes and fees. It is possible to use the report to provide the public an insight into the tax environment of a company and at the same time react quickly to enquiries of individuals or media or possible blurriness in public discussion.

The information in the report can also be a component of internal information sharing and be useful when making business plans in addition to the comparative information the tax payments can provide management regarding inner ratios in the company's operation between years.

Information that is presented in this report regarding the tax footprints of Arnarlax ehf. consolidation is based on the consolidation's financial statements, statements and information from public authorities, and other data from the company.



02 About Arnarlax

Arnarlax consolidation is comprised of three companies; Arnarlax, Fjarðalax and Bæjarvík. Additionally Fjarðalax owns a 50% share in Eldisstöðin Íspór hf. in Þorlákshöfn. Tax footprints of Íspór are not taken into consideration in this summary as their information was not available at the time of making of the summary.

Arnarlax was formed in 2009 by a group of people that mostly had their roots from the Westfjord area and wanted to contribute to the local community. These dynamic people had belief in the community of Westfjords and saw an opportunity to utilize well sheltered fjords and clean sea to farm top quality salmon.

In 2014 the company implemented Norwegian standards (NS 9415) for salmon farming. In the same year a service ship was purchased and work began in settling, put out farming gear and building a production facilities.

On July 1, 2017 Arnarlax acquired Fjarðalax and thereby the operation grew more extensive. At that time Fjarðalax had begun farming of the seventh generation of salmon in sea.

Today Arnarlax is the largest fish farming company in Iceland. The company employs over 100 people in Bíldudalur, Patreksfjörður, Tálknafjörður, Hafnarfjörður, Þorlákshöfn and Bolungarvík. The company operates their own sea pens and production stations for their own products. Arnarlax has a 25.200 maximum biomass allowance.



02 About Arnarlax

Arnarlax contributes to the community in various ways, including paying salaries and related expenses, purchased service, purchased goods, payment of financial fees, grants, in addition to the payment of tax and fees to public authorities.

Average number of Arnarlax employees was 111 in the year 2019 of which 100 employees were residing in Vesturbyggð and Tálknafjarðarhreppur. According to information from Directorate of Labour the average estimated working units in these municipalities was around 720 in 2019. Approximately 13,9% of estimated work units in the two municipalities worked for Arnarlax in 2019. Additionally many inhabitants work in derived jobs that have been created as a result of the operation of Arnarlax.

Information listed below regarding the operating year 2019 is obtained from the management of Arnarlax. Taxes and fees are presented as a separate item and are not included in the abovementioned operating items.

Value to the community (million IKR)	2019	2019
	Iceland	Arnarlax's operational area
Salaries (without taxes)	1.262,7	1.137,6
Payments to Icelandic service providers	1.337,2	754,5
Supplies bought from Icelandic companies	819,0	46,6
Interest paid in Icelandic community	170,1	
Taxes and fees	644,3	198,2

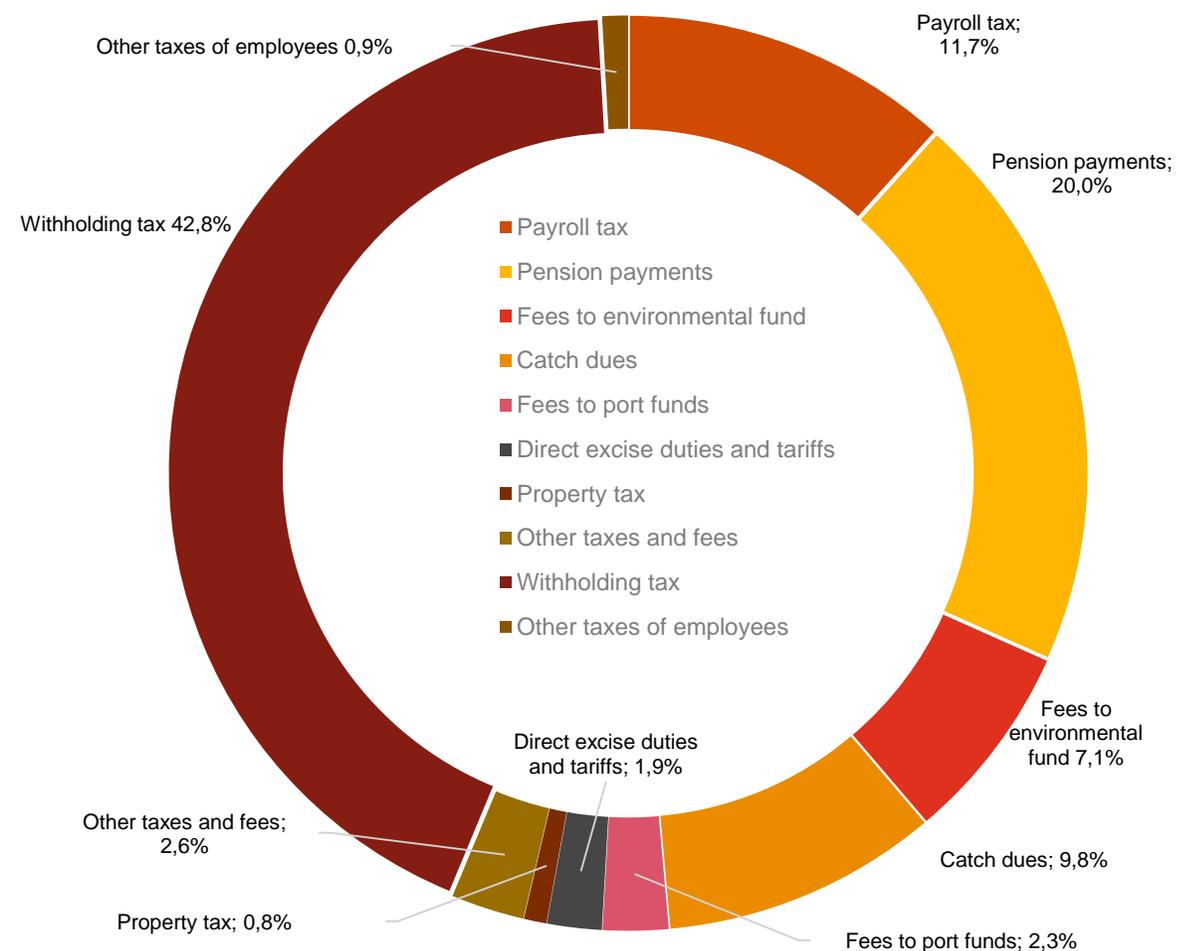


03 Summary

Paid taxes and fees 2019 (million IKR)	2019	2018
Payroll tax	75,1	63,9
Pension payments	129,1	99,8
Fees to environmental fund	45,7	39,9
Catch dues	63,1	39,7
Fees to port funds	15,0	6,3
Direct excise duties and tariffs	12,5	9,2
Property tax	5,2	4,9
Other taxes and fees	16,8	9,3
	362,5	273,1
Collected taxes		
Withholding tax	275,9	218,7
Other taxes of employees	5,9	4,1
	281,8	222,8
Taxes and fees	644,3	495,9

Paid taxes and fees 2019

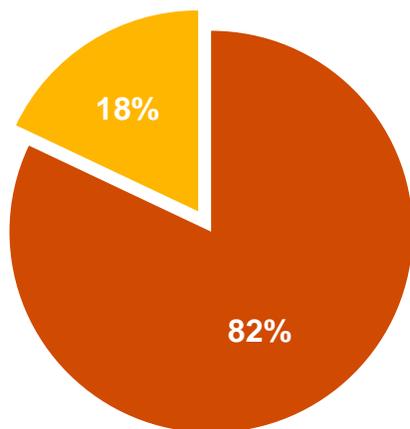
Proportional division



03 Summary

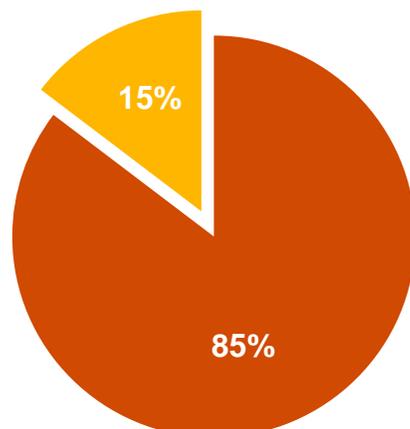
Taxes and fees of Arnarlax consolidation to state, municipalities and pension funds amounted to 644,3 million ISK. Payments to amounted to 516 million ISK and municipalities increased by 30% between 2018 and 2019. The increase is, including others, attributed to an increase in taxes and fees for salaries and catch dues.

State and municipalities 2019



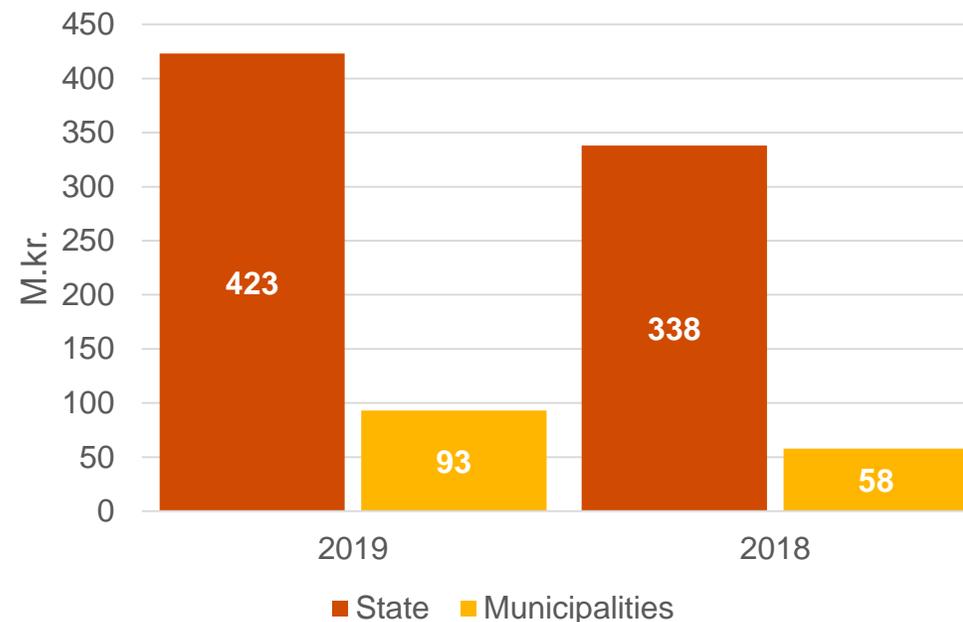
■ State ■ Municipalities

State and municipalities 2018



■ State ■ Municipalities

Taxes and fees



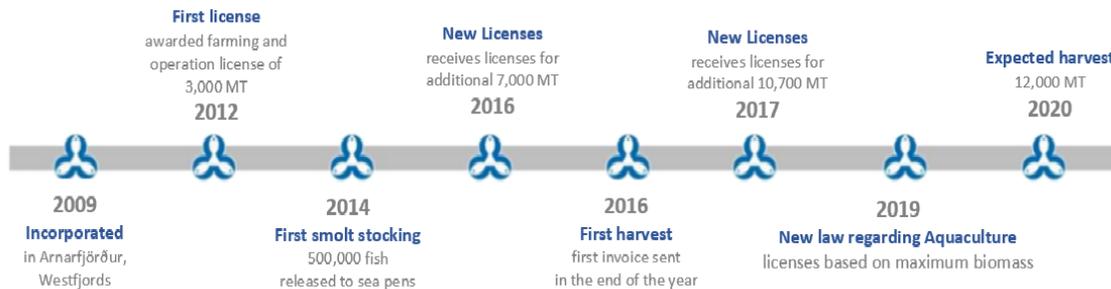
04 Income tax

The company's income tax is calculated from the year's profit. The amount is split into two, on the one hand is tax that will be paid next year and on the other hand is deferred tax that will be paid later. Current tax rate is 20%.

The company has been undertaking major developments and have incurred significant expenses in recent years. At this point work is in place to expand the spawn farms and it is forecasted that the investment will prove profitable in time.

The company didn't return profits for the first years and has not paid income taxes. In the year 2019 it returned profit but due to carry forward losses no income taxes will be paid because of 2019.

Arnarlax was founded in 2009, received its first production permits in 2012, released the first spawns in the ocean 2014 and in 2016 the company's first sale invoice was issued. Today the revenue has become regular throughout the year and with increased production the production costs have lowered.



Production time, from spawn to first harvest, is at average three years.

05 Salary-related taxes

The average number of employees in 2019 at Arnarlax and associated companies was around 111 compared to 109 employees in 2018. Additionally Arnarlax employs contractors for various assignments.

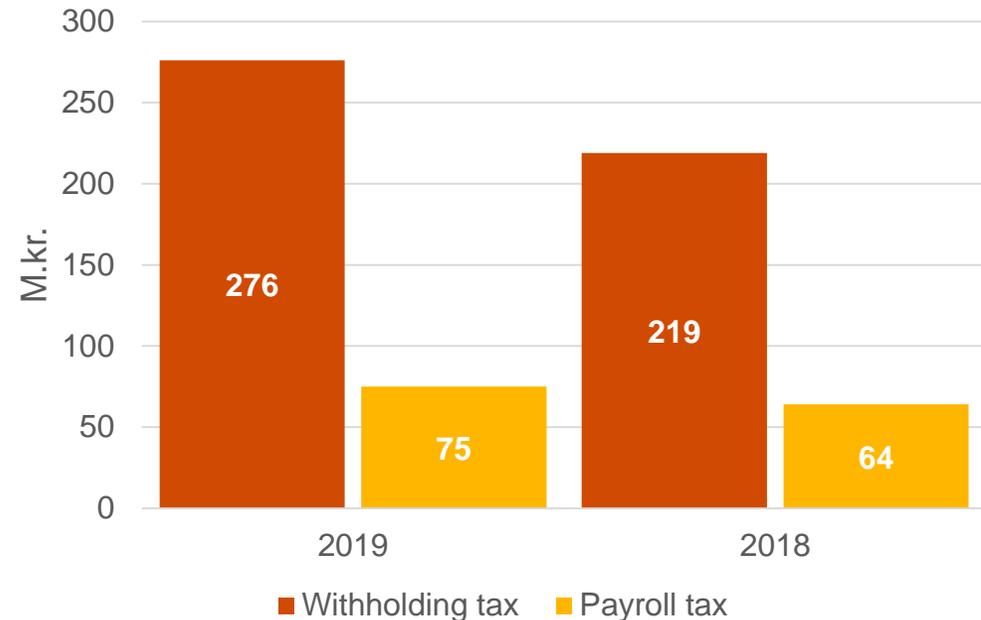
In addition to the direct jobs in fish farming that Arnarlax creates, derived jobs are created in service and increased administration. Examples of the derived jobs created by fish farming are service jobs, jobs in produce and feed transportation, inspection jobs and many more.

Taxes and official fees are calculated from every employees salary. Employer withholds tax from salaries and so-called salary deductables and return them to Iceland Revenue and Customs (RSK). Withholding tax of salaries is divided in two parts: On the one hand is income tax of individuals that is returned to the State and on the other hand is municipal tax that is returned to the municipality that the employee resides in.

Payroll tax is a fee that among other things goes towards unemployment insurance fund, maternity leave fund and to fund the pension and accident insurances funds of Social insurance.

Total salary expense of the consolidation amounted to 1.338 million IKR. in 2019 compared to 1.069 million IKR in 2018. In 2019 the consolidation returned 276 million IKR in withholding tax and paid 75 million IKR payroll tax. In 2018 the consolidation returned 219 million IKR in withholding tax and paid 64 million IKR in payroll tax.

Taxes paid of employees salaries



Salary-related taxes amounted to 357 million IKR in 2019, of which 276 million IKR were withholding tax and 75 million IKR in payroll taxes.

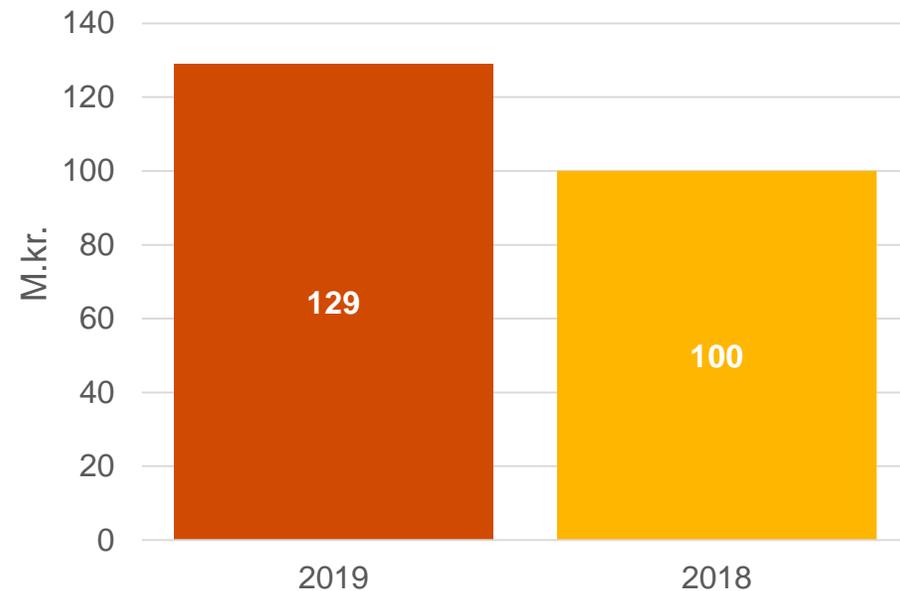
06 Pension payments

Employees of companies in the Arnarlax consolidation pay a mandatory 4% of their salary to pensions insurance funds, in addition to being able to pay voluntary pension insurance premiums. As salary payers the consolidated companies pay 11,5% of the employees' salary to pension insurance funds, in addition to paying into the employees' voluntary pension insurance funds. Around 70% of employees have elected to pay voluntary pension insurance premiums, which is either 2 or 4% of their respective salaries.

Many contractors work for the consolidation and they handle their pension insurance fund payments themselves.

Total payments towards employees' pension insurance funds in 2019 amounted to 129 million IKR., compared to 100 million IKR in 2018.

Pension payments



The company pays 11,5% of salaries to employees' pension insurance funds and then also pay towards employees' voluntary pension insurance funds. Total pension payments amounted to 129 million IKR in 2019.

07 Fees to environmental fund

Environmental fund of fish farming operates on the basis of law no. 71/2008, about fish farming, and is an independent fund owned by the state and is administered by the Minister of Fisheries and Agriculture. The fund's objective is to limit the environmental effects caused by fish farming.

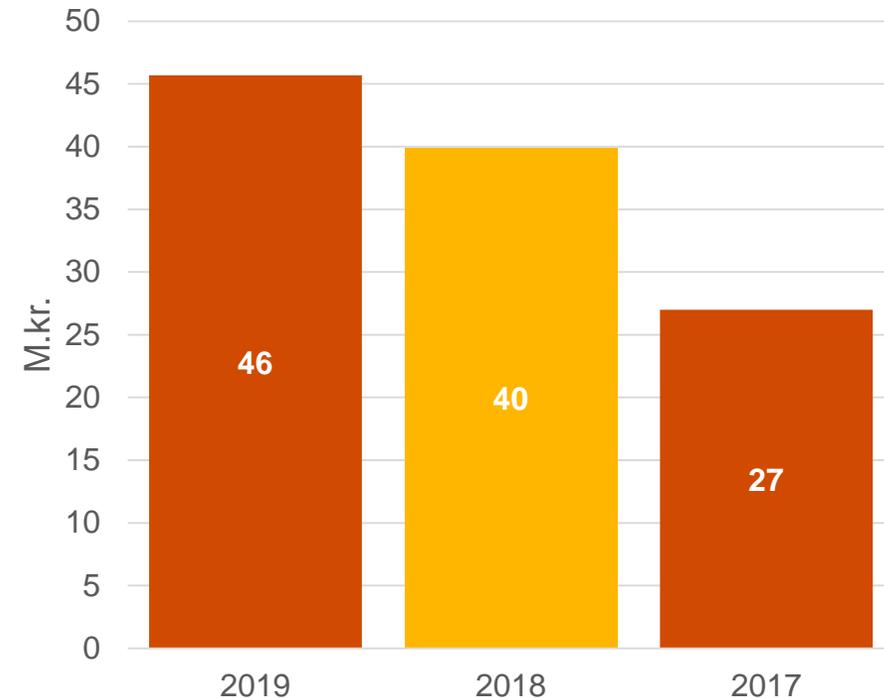
Holders of operational permits of fish farming pay a yearly fee to the fund and as such Arnarlax paid a total of 46 million IKR in 2019 compared to 40 million IKR in 2018 and 27 million IKR in 2017.

The fund fulfills its role by funding assignments, that revolve around adapting fish farming in Iceland to the environmental conditions in place in the country and thus limiting the environmental effect caused by fish farming. The fund pays the expenses of research of carrying capacity estimates, surveillance and other assignments that the fund's management decides.

In 2018 the fund allocated 5,5 million IKR to Arnarlax and associates to be used for research regarding „optimization of the bleeding of salmon and its effects on produce quality and environment“.

In 2019 the fund had approximately 88 million IKR to allocate which means that payments from Arnarlax amounted to around 50% of grants allocated for the year. No grants were allocated to Arnarlax in 2019.

Fees to environmental fund



Fees to environmental fund of fish farming amounted to 46 million IKR in 2019 but have increased by 70% since 2017.

o8 Other taxes and fees

Other fees to municipalities

Arnarlax has their main operation in Vesturbyggð and Tálknafjörður. In relation to these operating stations the company pays various fees that flow to the municipalities, including various other service fees, health inspection fees and building inspector fees.

Catch dues are paid to the port fund of Vesturbyggð in 2018 and 2019 and was the fee calculated as 0,6% of total value of catch. Paid catch dues amounted to approximately 63 million IKR in 2019 compared to approximately 40 million IKR in 2018.

Excise duty is paid to the port fund from feed that goes ashore and it amounted to approximately 8 million IKR in 2019 compared to approximately 5 million IKR in 2018.

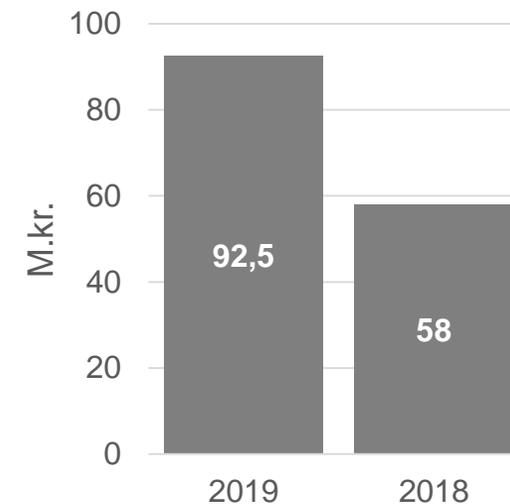
Other fees to port funds, including port fees and storage permits, amounted to approximately 15 million IKR in 2019 compared to approximately 6 million IKR in 2018.

Property taxes are fees that are assessed yearly on every property. They are divided into property tax, ground rent, sewage charge, water charge and waste disposal fees. The tax is higher on industrial properties than on residential properties.

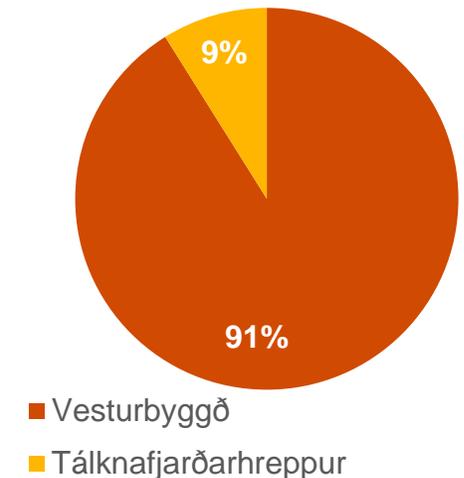
Paid property taxes in 2019 amounted to 5,2 million IKR compared to 4,9 million IKR in 2018.

The consolidation paid municipalities 92,5 million IKR in various fees in 2019 compared to 58 million IKR in 2018, of which catch dues increased by 23 million IKR and other fees to port funds increased by 8,7 million IKR. Most was paid to Vesturbyggð in 2019, or 84,3 million IKR compared to 51 million IKR in 2018.

Fees to municipalities



Municipalities 2019



Other fees to municipalities amounted to 92,5 million IKR in 2019 and increased by 59% between years.

o8 Other taxes and fees

Import duties

Amongst other taxes and fees that the consolidation pays to the state are import duties that the company pays on imported supplies. Import duties are customs tariffs, excise duties and value-added tax (VAT) that are paid to State Treasury, either from own imports but mostly indirectly as part of third party product prices.

Customs tariffs paid by Arnarlax of its own imported supplies in 2019 amounted to 4,7 million IKR compared to 4,3 million IKR in 2018.

Oil and carbon tax

In 2019, 86 million IKR were expensed due to purchases of oil and gasoline, of which 37 million IKR were due to machines and cars. Part of the expense is oil and carbon tax that sellers of oil and gasoline return to the State Treasury.

The oil tax was 62,85 IKR pr. liter in 2019 while the carbon tax was between 5,25 and 6 IKR pr. liter. Oil to use on ships and boats are exempt from oil tax when colouring and markers have been added to the oil.



- All production of Arnarlax is ASC certified. ASC (Aquaculture Stewardship Council) is one of the stringiest certifications when it comes to fish farming and is known and is sought-after in demanding markets throughout the world.
- ASC certification has been developed by World Wildlife Fund (WWF) and to get certified companies must limit environmental effects and operate in agreement with the community.
- Companies that are ASC certified are committed to limiting the effects on environment in various ways. Consideration must be taken towards wild salmon populations, birds, marine mammals and other organisms that reside in the vicinity of the fish farms.

